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MEMORANDUM

Arizona Corporation Commission

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Director
Utilities Division

APR 22 2015

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AZ CORP COMMISSION
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DATE: April 22, 2015

RE: TRICO ELECTRIC COOPERATIVE, INC. APPLICATION TO AMEND
DECISION NOS. 70399, 73933 AND 74583, DOCKET NO. E-01461A-07-0433

In Decision No. 70399, dated July 3, 2008, the Arizona Corporation Commission ("Commission") approved an application of Trico Electric Cooperative, Inc. ("Trico" or "Company") which sought authority to borrow \$83,979,000 in construction work plan financing from the United State of America through the Rural Utilities Service ("RUS"). As part of the approval, the Company's authorization to incur debt was set to terminate on December 31, 2013.

Subsequently, on May 22, 2013, the Company filed an application to amend Decision No. 70399 seeking to extend its financing authority until July 1, 2014. In Decision No. 73933, the Commission granted Trico's request and extended the authority to incur debt until July 31, 2014, keeping all other aspects of Decision No. 70399 in place. On June 16, 2014, the Company requested to amend Decision No. 73933 seeking another time extension. As part of Decision No. 74583, the Commission ordered the following:

"IT IS FURTHER ORDERED that any authorization to incur debt granted in this proceeding shall terminate on July 31, 2015."

Decision No. 74583, also ordered that Trico notify the Commission of its intent to file an application, or an extension of time for the renewal of the RUS loan, no later than April 1, 2015. On March 31, 2015, the Company filed notice of its intent to file for an extension, and on April 14, 2015, Trico filed an application with the Arizona Corporation Commission requesting to amend Decision Nos. 70399, 73933 and 74583 to extend Trico's authorization to draw upon the \$83,979,000 RUS loan by one additional year, from July 31, 2015 to July 31, 2016.

Trico has indicated in its application that, to date, it has borrowed \$53,050,000 of the \$83,979,000 under the RUS Loan Contract. According to the RUS loan contract, Trico needs sufficient revenue to maintain on an annual basis the coverage ratios of 1.25 for times interest earned ratio ("TIER") and debt service coverage ("DSC") for the best two out of three years. Using Trico's 2015 annual report, Staff has calculated a TIER of 2.25 and a DSC of 2.43. Once the loan has been fully funded, Staff has calculated an adjusted TIER of 1.27 and a DSC of 1.43, both of which are sufficient to allow Trico to meet its operating needs and the debt service requirements of its loans on a going forward basis.

Based on the application and all of the above, Staff does not oppose the Company's request for an extension of time for its financing authority granted in Decision No. 74583 from July 31, 2015 to July 31, 2016. Should this application be approved, all other requirements of the prior decisions should remain in place. As previously noted, the Company's authorization to incur debt was originally set to terminate on December 31, 2013; however, the construction slowdown connected with the downturn in the economy and the slower than anticipated recovery has resulted in the Company now requesting a third time extension. Staff notes that in the original application, the Company developed a 2007-2010 Construction Work Plan, using projections that were inaccurate. As a result, Staff recommends that no further time extensions be granted unless accompanied by updated growth projections and an updated Construction Work Plan that further demonstrates that an additional time extension is warranted.

SMO:BKB:lea

Originator: Brian K. Bozzo